



Economic Development Proposals

Economic Development Committee

May 31, 2023

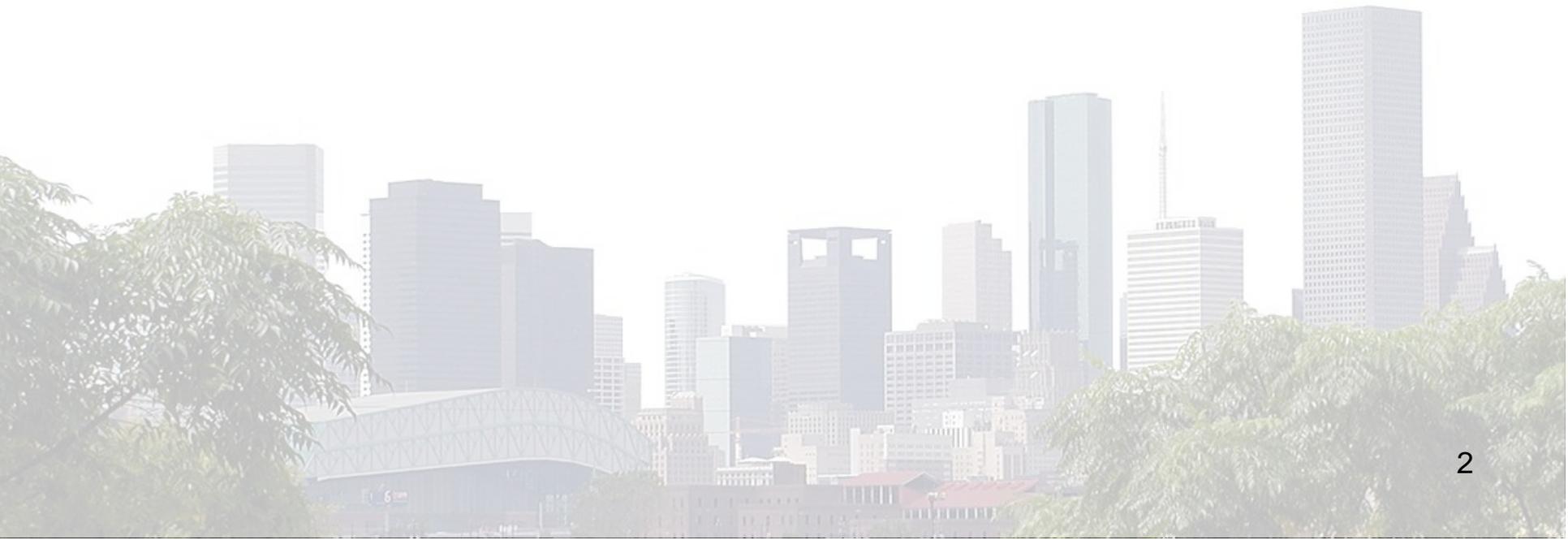
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Economic Development Presentation

Tax Increment Reinvestment Zone Policy Recommendations





Presentation Overview

Background
of TIRZ
Program

Policy Goals

Methodology

Proposed
Policy



Background

Tax Increment Financing (TIF) is an economic development financing tool used to calculate revenue attributable to the increase in property values within a defined geography to fund infrastructure or other public improvements as legislatively defined

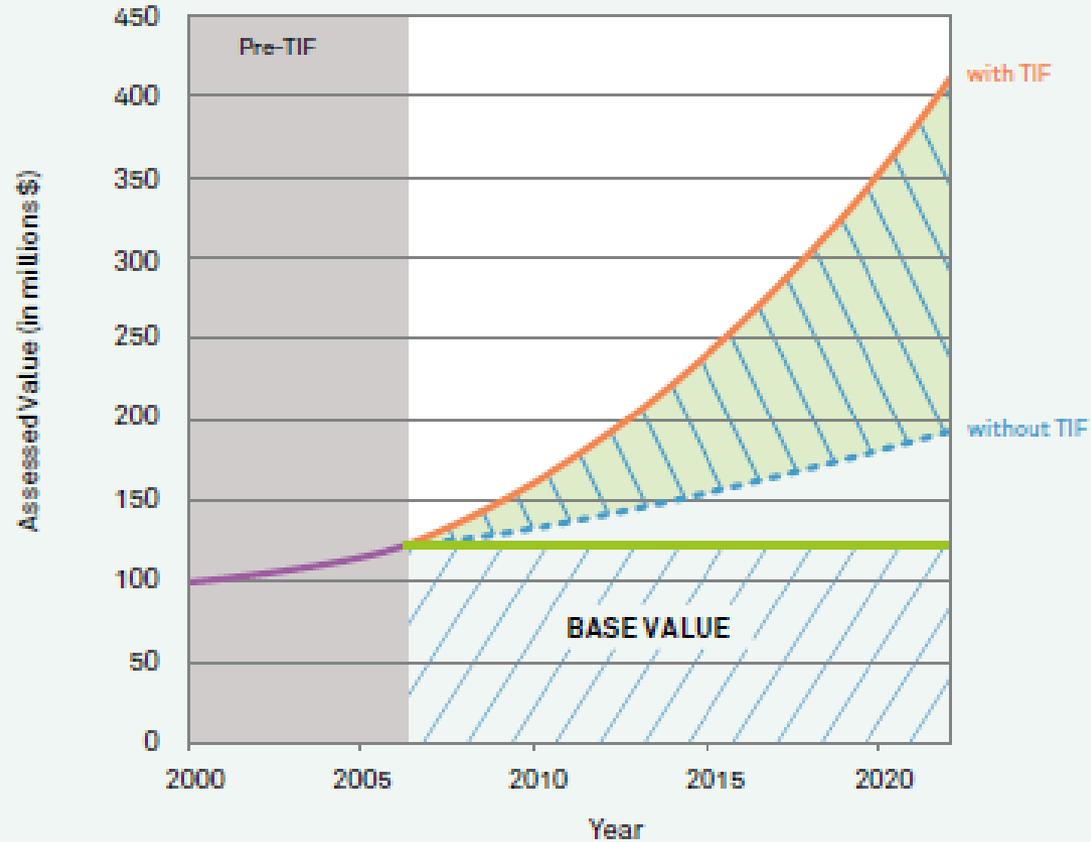
A TIRZ (Texas legislation) is a legally defined geography created utilizing TIF for the purpose of promoting economic development in unproductive, underdeveloped, or blighted areas by developing and diversifying the economy, eliminating unemployment and underemployment, and developing or expanding transportation, business, and commercial activity



Background

Figure 1
Hypothetical Example of Assessed Value With and Without TIF

- Assessed value pre-TIF
- Assessed value with TIF
- Assessed value without TIF
- Base value
- Increment caused by TIF
- Pre-TIF
- Base value



Lincoln Institute of Land Policy, [Improving Tax Increment Financing \(TIF\) for Economic Development](#), p. 7; 2018



TIRZ Program Policy Goals

Governance

- Ensure all of the City TIRZs are managed consistent with strong governance principals

Financial Responsibility

- Ensure most efficient stewardship of taxpayer dollars and maximize the effectiveness of TIRZ funds

Equity

- Ensure parity in the TIRZ program to address development inequities throughout the city

Compliance

- Ensure continued adherence to Chap. 311 of the Texas Tax Code, internal policies and regulations from the State Comptroller's Office

Transparency

- Promote openness of activities, transactions and ensure accountability and openness to the stakeholders



Methodology

Program Evaluation



- Received guidance and policy priorities from Mayor
- Reviewed report from Mayor's Transition Committee on TIRZs
- Reviewed existing practices and internal policies; determined areas to improve
- Developed enhanced practices within policy statement

Comparative Analysis



- Statewide TIRZ programs comparison
- Nationwide TIF utilization research
- Developed new or modified existing practices and policies to meet policy goals

Stakeholder Input



- Internal collaboration with other City departments
- External collaboration with TIRZ/RDA administrators and consultants
- Mayor and Administration's Review



Proposed Policy





Guiding Philosophy

A TIRZ should act as an impermanent catalyst for place-based private investment through the construction or improvement of public infrastructure without compromising the economic needs of the City as a whole



Policy Document Content

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Policy Overview

Creations

Life Extensions

Terminations

Boundary
Adjustments

Non-Contiguous
TIRZs

TIRZ
Performance

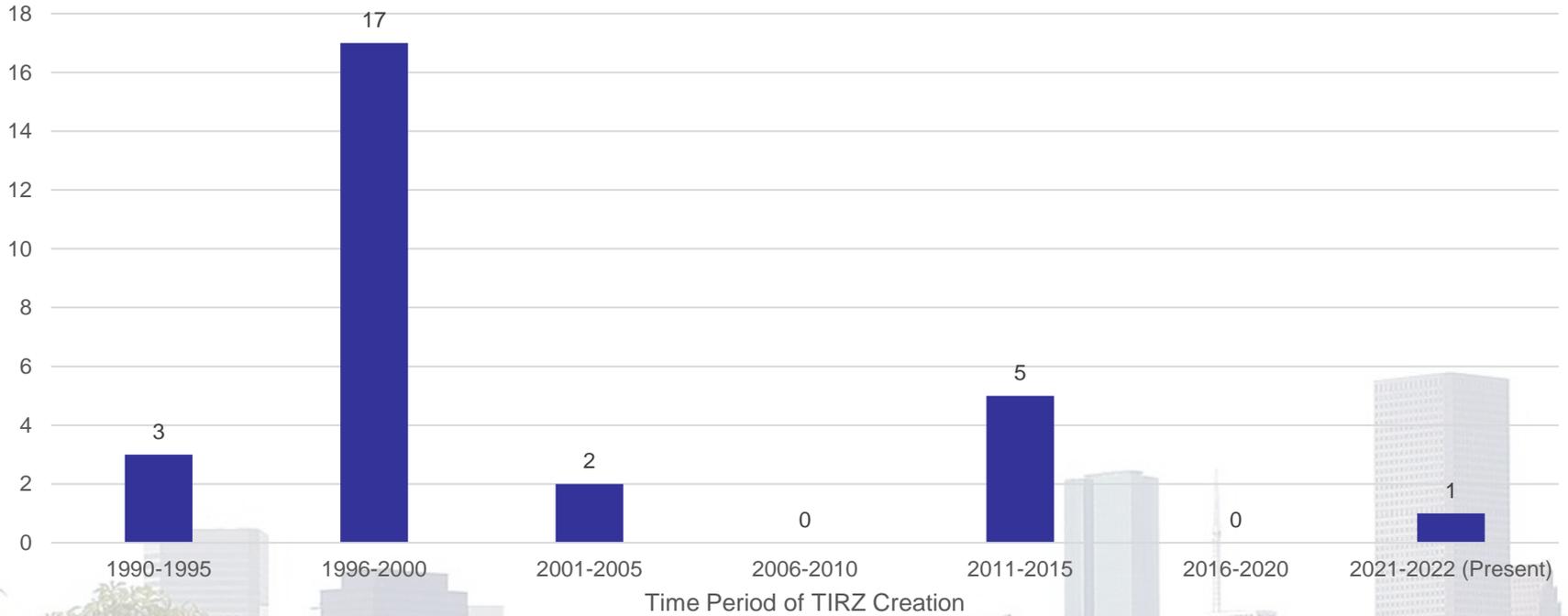
Budgets and
Capital
Improvement
Plans

Debt
Authorization
and Issuance



Creations

Number of TIRZs Created Since Program Began (1990)





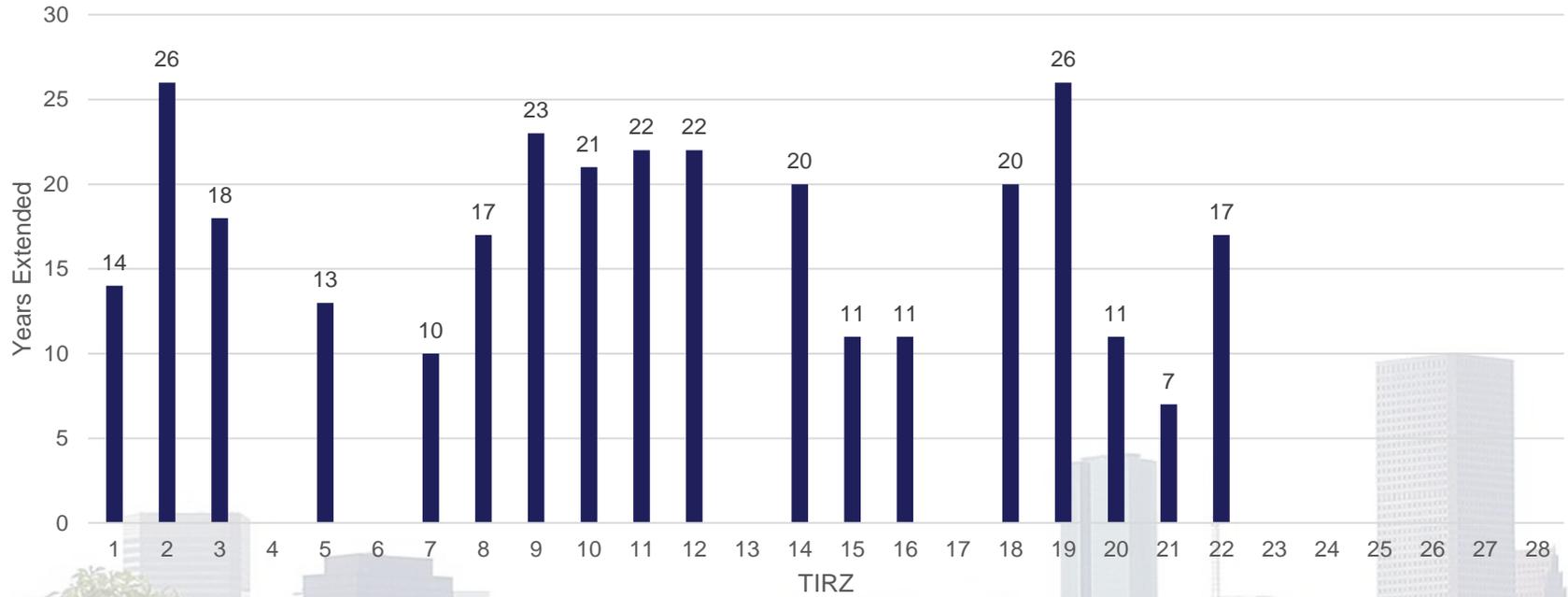
Creations

Tax Increment Reinvestment Zones will be considered only when the area proposed clearly demonstrates a nexus between the proposed eligible TIRZ projects and economic growth spurred by new investment within the proposed geographic boundary



Life Extensions

Extended Terms By TIRZ





Life Extensions

The life extension of an existing TIRZ will be evaluated and considered if the extension:

- is required to secure financing for an approved project to expedite construction**
- will provide for additional time to complete an approved project**
- will generate revenue for projects reflected in a project plan if supported by a planned new investment**
- Is needed to leverage new local, state, federal or philanthropic funding**



TIRZ Current Terms

Remaining Life and Total Term By TIRZ





Terminations

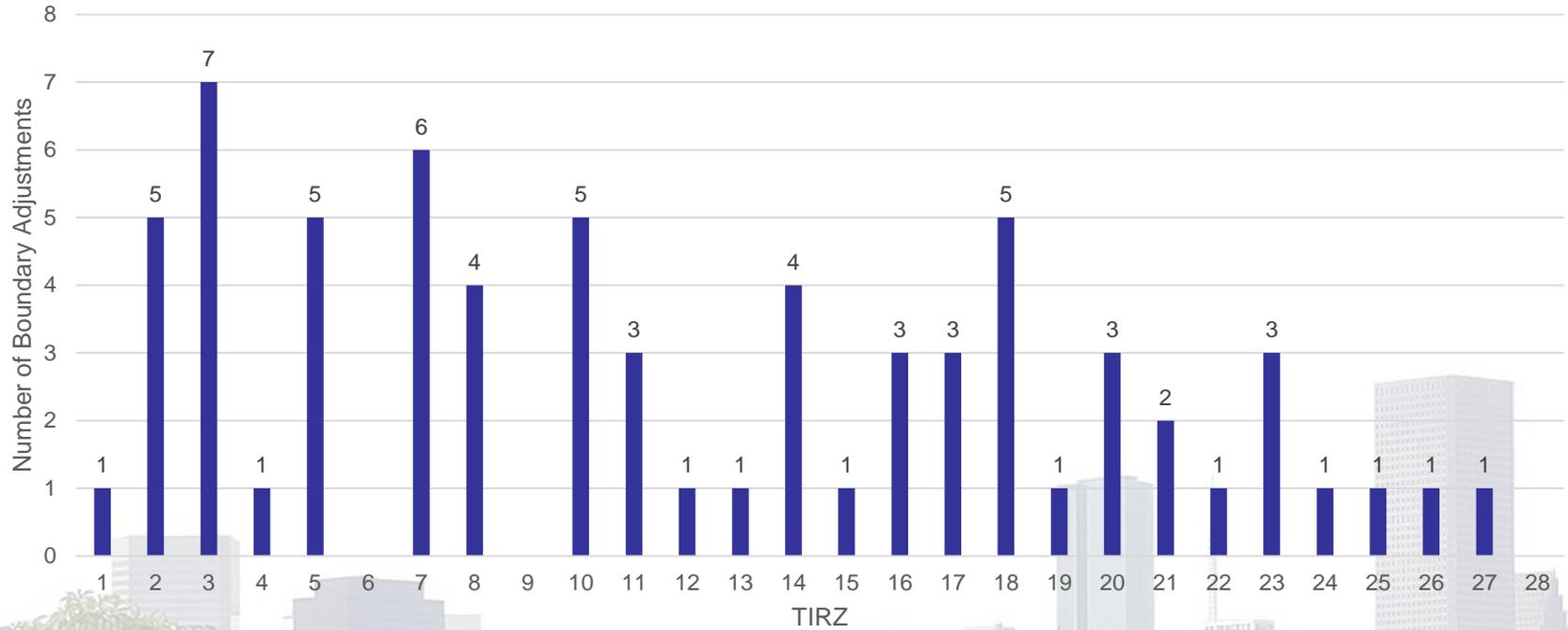
Termination will be recommended if:

- A TIRZ that has either met the objectives defined in the zone's project plan
- A TIRZ has "underperformed" and has been unsuccessful at meeting the objectives defined in the Zone's project plan after 15 years from its creation
 - candidate for immediate termination if there are no outstanding obligations
 - reclassified from active to "Pre-Termination" if there are existing debt or outstanding obligations
 - Will develop a transition plan with TIRZ, Finance and MOED



Boundary Adjustments

Boundary Adjustments By TIRZ





Boundary Adjustments

Annexations into existing Zones will be evaluated and considered when

- the annexation will further the objectives of the TIRZ's project plan and there is sufficient evidence that the TIRZ will attract private investment in the proposed area**



Boundary Adjustments

De-annexations will be evaluated and considered if

- the reduction in the boundary will increase the revenue generated in the area remaining after the reduction
 - MOED will develop a model to test the outcome
- will increase the City's capacity to designate other areas for Tax Increment Financing considering the 25% statutory limitation



Non-Contiguous TIRZs

Non-Contiguous TIRZs will be evaluated and considered on a case-by-case basis where the criteria in Chapter 311 are met.

Additional consideration for a Non-Contiguous TIRZ may include

- an alignment between the area proposed for annexation with the existing TIRZ and the existing TIRZ's capacity to generate revenue sufficient to meet its project plan objectives and to fund public capital infrastructure in the proposed area that is likely to encourage private investment or spur economic development**



TIRZ Performance

MOED will engage regularly with each TIRZ Board to assess and evaluate the TIRZ's performance relative to the goals, revenue generation, and timeline for the delivery of capital projects stated in the project plan.

TIRZs that are either not performing or underperforming to the project plan will be required to provide an action plan that will encourage and attract private investment ultimately increasing the revenue generated within the Zone to construct projects as defined in the project plan



Budgets and Capital Improvement Plans

The Annual Budget and CIP will be presented to City Council for approval consideration only after the operating budget and capital projects have been reviewed and approved by the Mayor or designee, Finance, HPW, and the TIRZ/RDA Boards.

The budget will only reflect projects with identified funding sources and contain a minimal capital reserve as established by the Finance Department



Debt Authorization and Issuance

The City's Finance Department and the TIRZ Bond Team will work cooperatively on all bond related matters including "pre-issuance" meetings, appointment of bond related providers to ensure governance and to benefit from the City's providers which may have lower issuance cost options



Next Steps

- **Consider feedback post the public presentation**
- **Determine if policy amendments are necessary to clarify or enhance policy**
- **Propose the inclusion of the TIRZ policy to the existing Financial Policies approved last by city council by ordinance in 2021**
- **Engage TIRZ Boards on Implementation**



Proposed Financial Policies Amendment

Proposed amendment to Financial Policies:

The TIRZ Policy developed and approved by the Mayor Sylvester Turner Administration in 2023 established the policy, guidelines, and administrative criteria to enhance transparency, compliance, governance, fiscal responsibility, and equity of the City of Houston's TIRZ Program. The Office of Economic Development will manage, administer and govern the TIRZ Program in accordance with the stated TIRZ Policy. The MOED will be required to present TIRZ related activity subsequent to the approval of the amended Financial Policies to the Economic Development Committee on an annual basis.



Proposed Financial Policies Amendment

Proposed amendment to Financial Policies (cont):

The presentation will include the compliance status as it relates to the TIRZ Policy. For any activity that is noncompliant, the MOED must provide the rationale for noncompliance and the recommended plan to redirect the TIRZ towards compliance

The policy provides detailed guidance regarding the following: TIRZ Creation, TIRZ Life Extension, TIRZ Termination, TIRZ Boundary Adjustments (Annexations and De-annexations), TIRZ Performance, TIRZ Budget and Capital Improvement Plan, TIRZ Debt Authorization and Issuance.



Questions?

Thank You!

